Public Service Management Pension Plan

ANNUAL REPORT

FOR THE FISCAL YEAR ENDED MARCH 31, 1989

Alberta
TREASURY

Public Service Management Pension Plan

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91-00024/

Alberta

PROVINCIAL TREASURER
224 Legislature Building, Edmonton, Alberta, Canada T5K 2B6 403/427-8809

February 1990

The Honourable Dr. David Carter
Speaker of the Assembly

Sir:

Pursuant to section 4 of the Public Service Management Pension Plan Act, being Chapter P-34.1 of the 1984 Statutes of Alberta, I have the honour to lay before the Assembly the annual report on the operation of the Public Service Management Pension Plan for the fiscal year ended March 31, 1989.

Respectfully submitted,

Dick Johnston
Provincial Treasurer

Alberta
TREASURY

442 Terrace Building, 9515 - 107 Street, Edmonton, Alberta, Canada T5K 2C3 403/427-4106

February 1990

The Honourable Dick Johnston
Provincial Treasurer

Sir:

In accordance with section 4 of the Public Service Management Pension Plan Act, I have the honour to transmit herewith the annual report on the operation of the Public Service Management Pension Plan for the fiscal year ended March 31, 1989, to be laid by you before the Legislative Assembly.

The annual report includes a statement of the most recent estimate of the actuarial liabilities of the Plan as required by section 4(2) of the Act.

Respectfully submitted,

A. D. O'Brien
Deputy Provincial Treasurer
Management and Control

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Introduction

The Public Service Management Pension Plan was established effective July 1, 1972, by the Public Service Management Pension Act to provide a contributory pension scheme for Alberta Government employees occupying positions designated as Management. Formerly, such employees were participants in the Public Service Pension Plan. Initial participation in the Public Service Management Pension Plan was restricted to departmental employees of the Alberta Government. Participation was later extended to employees of Government Boards, Agencies, Commissions and Crown Corporations.

The Public Service Management Pension Act was repealed on November 1, 1985, and replaced by the Public Service Management Pension Plan Act. Under the new legislation, policy and administration became the responsibility of the Lieutenant-Governor in Council and the Minister respectively, while the Public Service Management Pension Plan Board was assigned an advisory and appellate role.

Plan Overview

The Public Service Management Pension Plan is a contributory defined benefit plan under which employee contributions are five per cent of salary and employer contributions nine per cent. The net amount of pension contributions less payments is deposited to or withdrawn from the Pension Fund pursuant to the Pension Fund Act. The income of the Pension Fund accrues to and forms part of the Fund. The Government of Alberta guarantees the payment of all benefits under the Public Service Management Pension Plan.

Members may retire at any time after age 55 without reduction in the amount of pension if five years of pensionable service have been accumulated. Normal pensionable age is 65 years, however, there is no mandatory retirement age. Pension benefits are based on two per cent of the highest average pensionable earnings for five consecutive years times the number of years of pensionable service. If the member has a spouse and has been married to, or lived with, that spouse for at least five years, unless a waiver is signed by the spouse, the member must choose a normal pension. The normal form of a pension is for the life of the member with a 75 per cent survivor benefit. Single members may elect a life pension, choosing a 5, 10, 15 or 20 year guarantee period. They may also elect a joint pension based on their life and that of a nominee.

The Plan also makes provision for those members who die prior to retirement and have accumulated at least five years of pensionable service. In such cases the surviving spouse is entitled to either a spousal pension or a lump sum benefit. The spousal pension is equal to the survivor benefit of a non-reduced joint life pension. A beneficiary other than a spouse must accept a lump sum benefit.

Review of Operations

The Public Service Management Pension Plan is administered by Alberta Treasury, Payroll and Pensions.

During the year under review, a number of systems and procedural enhancements were implemented. Improvements made to the adminstration of prior service now enable employers to provide estimated costs of eligible service directly to members. Benefits realized by this prior service refinement include improved timeliness and accuracy of information for both members and employers.

A review of the participant annual statement production and distribution resulted in additional and improved summary reporting. The format and content of summarized annual statement data was revised to provide employers with information concerning members approaching 35 years of service. These improvements will assist employers in carrying out their responsibilities.

During the year a review of the documentation associated with the processing of retirements, terminations, and annual reporting information was undertaken. Changes to the structure and content of forms led to a reduction in the amount and frequency of data required to be submitted by employers to the Pension Administration.

Procedures were changed so that all personal payments made by members are submitted via the relevant employer. This has improved the quality of the pension data base by ensuring that employers are aware of all transactions in respect of their members.

The formation during the year of the Judges and Masters in Chambers Pension Plan, resulted in the transfer of 114 accounts from the Public Service Management Pension Plan to the new plan. The value of the participant accounts transferred amounting to $13,056,408 is shown under Withdrawals in the Statement of Receipts and Payments.

Actuarial Liabilities

An independent actuarial valuation carried out at March 31, 1988, estimated the accrued liability of the Public Service Management Pension Plan to be $1,239,560,000. The normal actuarial cost of the plan as a percentage of payroll was estimated at 22.4 per cent.

Participation

At March 31, 1989 there were 14 employers participating in the Public Service Management Pension Plan, 4,747 active contributors and 332 terminated employees who had either not made a choice regarding their plan status or were awaiting a deferred pension.

A summary of the participating employers and the number of participants is provided in the section on Contributions.

Book Entry Transfers

The following transfers to and from other pension plans administered by the Province of Alberta were made by book entry during the year. These transfers are not reflected in the Statement of Receipts and Payments. As the transfer which resulted from the establishment of the Judges and Masters in Chambers Pension Plan created a separate Fund, it is reflected as Funds transferred out in the Statement of Receipts and Payments.

	Transfers To Public Service Management Pension Plan	Transfers From Public Service Management Pension Plan
	$	$
Public Service Pension Plan	6,683,776	359,485
Local Authorities Pension Plan	98,301	267,170
Universities Academic Pension Plan	141,832	17,864
	6,923,909	644,519

Reciprocal Agreements

At March 31, 1989, the Public Service Management Pension Plan had reciprocal transfer agreements in effect with the following pension authorities. The agreements enabled participants to transfer pension credits to and from these authorities.

Within Alberta

- Alberta Government Telephones Pension Plan
- Alberta Teachers' Retirement Fund
- Local Authorities Pension Plan
- Public Service Pension Plan
- Universities Academic Pension Plan

Outside Alberta

- Canada Mortgage and Housing Corporation
- Council of Maritime Premiers
- Dalhousie University
- Federal Business Development Bank
- Government of British Columbia
- Government of Canada
- Government of Newfoundland and Labrador
- Government of Ontario
- Health Sciences Centre of Manitoba
- Manitoba Civil Service Superannuation Board
- Ontario Colleges of Applied Arts and Technology
- Ontario Municipal Employees Retirement Board
- Ontario Teachers' Superannuation Commission
- Province of New Brunswick
- Province of Prince Edward Island
- Regina Civic Employees' Superannuation and Benefits Plan
- Saskatchewan Crown Investments Corporation
- Saskatchewan Health Care Association
- Saskatchewan Municipal Employees' Superannuation Commission
- Saskatchewan Power Corporation Superannuation Board
- Saskatchewan Public Service Superannuation Board
- Saskatchewan Teachers' Superannuation Commission
- York University

Reciprocal Transfers

During the year ended March 31, 1989, the following number and value of reciprocal transfers were undertaken:

	Transfers To Public Service Management Pension Plan		Transfers From Public Service Management Pension Plan	
	Number	Amount	Number	Amount
		$		$
Alberta Government Telephones	-	-	3	58,066
Alberta Teachers' Retirement Fund	9	715,216	2	79,483
Government of British Columbia	-	-	3	37,047
Government of Canada	4	159,723	8	419,922
Government of Ontario	-	-	3	165,603
Other	6	497,527	-	-
	19	1,372,466	19	760,121

Contributions

The schedule below summarizes the employee and employer contributions for the year ended March 31, 1989:

	Participants At March 31, 1989	Contributions Received		
		Employee	Employer	Total
		$	$	$
Government of Alberta	3,998	11,040,996	18,618,360	29,659,356
Alberta Educational Communications Corporation	29	64,612	134,180	198,792
Alberta Liquor Control Board	93	206,185	384,595	590,780
Alberta Opportunity Company	27	75,474	155,274	230,748
Alberta Petroleum Marketing Commission	10	33,919	58,681	92,600
Energy Resources Conservation Board	4	21,528	90,789	112,317
Northern Alberta Institute of Technology	32	87,425	161,630	249,055
Southern Alberta Institute of Technology	23	77,205	128,596	205,801
Special Waste Management Corporation	6	13,896	25,012	38,908
Treasury Branches	478	1,040,294	1,971,896	3,012,190
Workers' Compensation Board	44	132,319	231,926	364,245
Others	3	11,306	20,351	31,657
Accounts Held on Deposit	332	807	-	807
	5,079	12,805,966	21,981,290	34,787,256

Refunds

The following amounts of member contributions and interest were refunded to members terminating employment:

	Number	Amount
		$
Cash	42	413,578
Registered Retirement Savings Plans or Registered Pension Plans outside of a reciprocal agreement	91	960,905
	133	1,374,483

In addition, 31 refunds of excess contributions totalling $18,833 were made to members and employers.

Death in Service Benefits

In the current year, 11 members died while in service. Five of the surviving spouses were granted spousal pensions. Lump sums were paid to a total of eleven individual beneficiaries in respect of the other six deaths in service.

Information and Counselling Services

Payroll and Pensions presented 20 information seminars to employees during the year. The average attendance at each seminar was 25. Alberta Treasury training facilities in Edmonton as well as facilities in locations across the province were used for these sessions.

A regular information bulletin, Pension News, was prepared for employers. The Alberta Retired Public Employees Society was again assisted by Payroll and Pensions with the publication of their quarterly newspaper, Postscript.

Annual statements containing information on pensionable service, contributions and prior service purchased were produced and forwarded to employers for distribution to active participants in the plan.

Pension Benefits

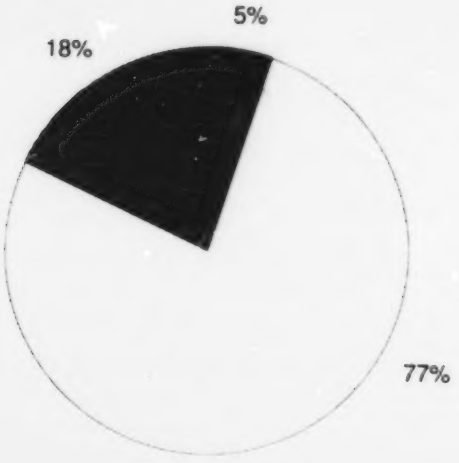
During the year ended March 31, 1989, pension benefits paid totalled $39,036,538, an increase of $4,453,145 (12.9 per cent) over the previous year. A total of 106 pensions were granted in the categories shown in the table below. Previous year figures are included for comparison.

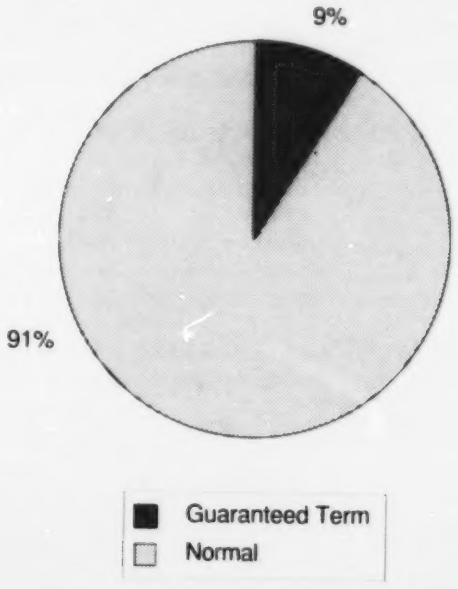
	1989		**1988**	
Normal Retirement	19		17	
Early Retirement	82	(65)	334	(263)
Partial or Total Disability	-		1	(1)
Death-in-Service (Spousal)	5	(2)	10	(7)
	106	(67)	362	(271)

( ) Brackets denote pensions co-ordinated with Canada Pension Plan (CPP) and/or federal Old Age Security (OAS) payments.

Of the above retirements, 11 were in respect of deferred retirements from previous years. All 11 were early retirements.

The charts below illustrate the relative proportions of retirements during the year by type of pension and by option chosen:



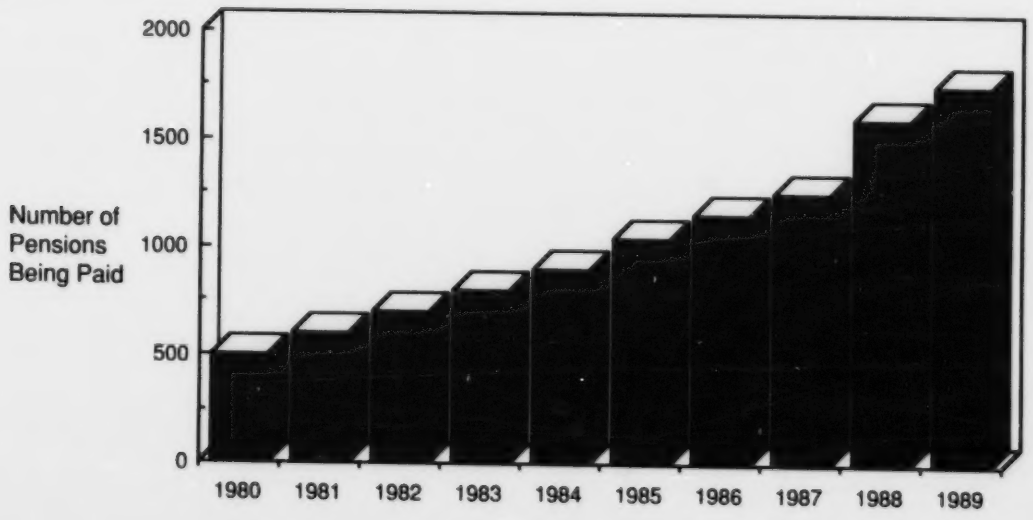


Pension options selected by members are as follows:

Member Pensions	At March 31, 1988	New Retire-ments	Benefi-ciaries	Deaths	End of Guarantee Term	At March 31, 1989
Normal (life with 75 % survivor pension)	1,442	96	18	(20)		1,536
Guaranteed 5 years	13	2				15
Guaranteed 10 years	18	1				19
Guaranteed 15 years	18				(1)	17
Guaranteed 20 years	19	2				21
Joint Life non-reduced	2					2
Spousal Pensions						
Single Life	26			(1)		25
Guaranteed 5 years	5					5
Guaranteed 10 years	8					8
Guaranteed 15 years	7					7
Guaranteed 20 years	46	5		(1)		50
Total Pensions	1,604	106	18	(22)	(1)	1,705
Pensions co-ordinated with CPP and/or OAS	981	67	—	(12)	(1)	1,035

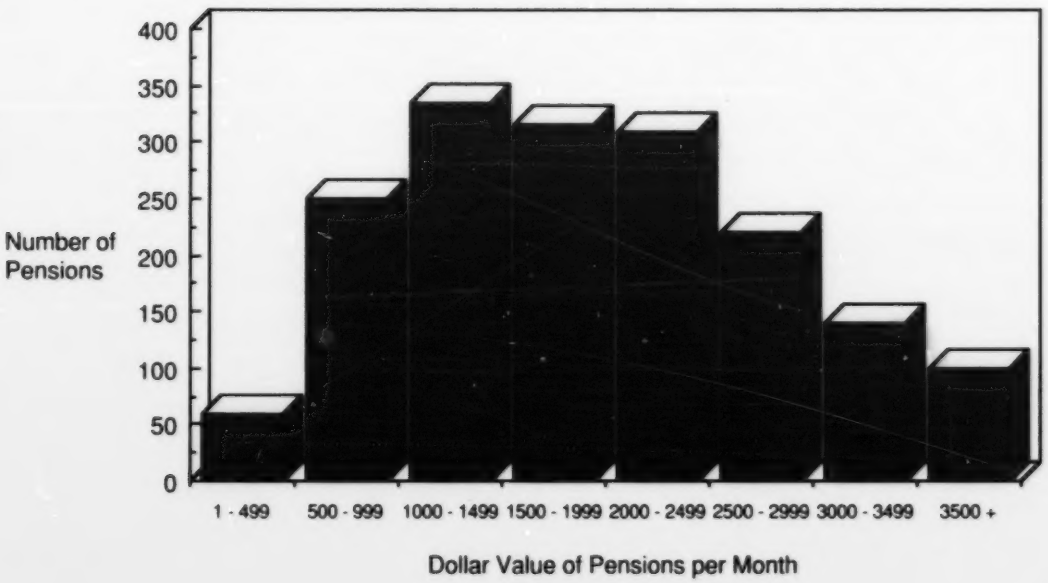
Note: The normal pension does not have a guaranteed term but, in the event of the retiree's death, pays the eligible spouse a spousal pension equalling 75 per cent of the deceased retiree's pension for life.

The number of pensions being paid at the end of each of the last ten years is presented in the graph below:



The schedule and graph below categorize the pensions in effect at March 31, 1989, by dollar value of monthly pension:

Dollar Value Per Month	Member Pensions	Spousal Pensions	Total
$ 1 - 499	44	13	57
500 - 999	219	30	249
1,000 - 1,499	299	28	327
1,500 - 1,999	297	15	312
2,000 - 2,499	304	6	310
2,500 - 2,999	216	-	216
3,000 - 3,499	133	2	135
3,500 and over	98	1	99
	1,610	95	1,705



Effective January 1, 1989, a cost of living adjustment of 2.0 per cent was granted to those pensioners in receipt of a pension for one year or more with a proportionately smaller increase granted to those retiring during the calendar year 1988.

STATEMENT OF RECEIPTS AND PAYMENTS
YEAR ENDED MARCH 31, 1989

	1989	1988
	$	$
RECEIPTS		
Employee contributions	12,805,966	12,693,636
Employer contributions	21,981,290	20,807,724
Interest on overdue receivables	1,185	21
Total receipts	34,788,441	33,501,381
PAYMENTS		
BENEFITS		
Pensions to retired members	37,370,095	33,331,856
Pensions to surviving spouses	1,307,601	1,251,537
Lump sums to beneficiaries of deceased pensioners	226,366	-
Lump sums to beneficiaries of deceased employees	132,476	-
	39,036,538	34,583,393
WITHDRAWALS		
Refunds of contributions and interest to terminated members	1,374,483	1,116,123
Reciprocal agreement transfers	760,121	449,899
Funds transferred out	13,056,408	-
Refunds of excess contributions	18,833	62,765
	15,209,845	1,628,787
Total payments	54,246,383	36,212,180
Excess of payments over receipts	19,457,942	2,710,799

Note: The receipts and payments shown above do not reflect member transfers of contributions and interest to and from other pension plans administered by the Alberta Government, with the exception of the transfer to establish the Judges and Masters in Chambers Pension Plan Fund. This transfer is shown as Funds transferred out.

Comparative Statistics

The table below shows comparative statistics of receipts and payments for the most recent five fiscal years. In addition, a graph is presented to illustrate a ten year trend.

(000's)

Fiscal Year	RECEIPTS			PAYMENTS			Excess of Payments Over / (under) Receipts
	Employee	Employer	Total	Benefits	Withdrawals	Total	
	$	$	$	$	$	$	$
1988/89	12,806	21,982	34,788	39,036	15,210	54,246	19,458
1987/88	12,693	20,808	33,501	34,583	1,629	36,212	2,711
1986/87	12,170	20,552	32,722	26,114	2,146	28,260	(4,462)
1985/86	11,880	20,105	31,985	22,627	1,801	24,428	(7,557)
1984/85	11,162	18,933	30,095	19,658	1,780	21,438	(8,657)